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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 11/1/01 AND ENDING 11/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: THE WINDMILL GROUP, INC.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

253 ROUTE 202

(No. and Street)

SOMERS

(City)

NY

(State)

10589

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

JOHN MACERANNA914-277-2700

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

ROBERT J. GARDENET

(Name - if individual, state last, first, middle name)

17 PINEHURST RD

(Address)

FARMINGDALE NY

(City)

(State)

11735

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

APR 04 2002

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THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, JOHN MACERANKA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of THE WINDMILL GROUP, INC., as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

John Maceranka
Signature
President
Title

Richard L. Walker
Notary Public
RICHARD L. WALKER
Notary Public, State of New York
No. 01WA4133575
Qualified in Putnam County
Commission Expires Nov. 30, 2005

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

THE WINDMILL GROUP, INC.

ANNUAL REPORT

DECEMBER 31, 2001



THE WINDMILL GROUP, INC.
ANNUAL REPORT
DECEMBER 31, 2001

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SUPPLEMENTARY INFORMATION

Accountant's Report

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| Schedule of Operating Expenses | A-1 |
| Addendum to the Annual Report | Exhibits A,B,C |





February 7, 2002

To the Stockholders of
The Windmill Group, Inc.
253 Route 202
Somers, New York 10589

We have audited the accompanying balance sheet of The Windmill Group, Inc., as of December 31, 2001 and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of The Windmill Group, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Windmill Group, Inc. as of December 31, 2001 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Robert J. Gardener

January 16, 2002

THE WINDMILL GROUP, INC.
BALANCE SHEET
DECEMBER 31, 2001

ASSETS

| | |
|--------------------------------|----------------------------------|
| Current Assets | |
| Cash | \$ 59,445 |
| Accounts receivable | 2,191 |
| Total | <u>61,636</u> |
| Fixed Assets | |
| Office equipment | 5,000 |
| Furniture & fixtures | <u>1,000</u> |
| | 6,000 |
| Less: Accumulated depreciation | <u>(6,000)</u> |
| Net equipment and fixtures | <u>0</u> |
| Total Assets | \$ 61,636 ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|----------------------------------|
| Current Liabilities | |
| Deposits payable | \$ 2,351 |
| Commissions payable | 3,663 |
| Accrued expenses payable | <u>1,975</u> |
| Total Liabilities | <u>7,989</u> |
| Stockholders' Equity | |
| Capital stock | 2,700 |
| Additional paid in capital | 129,000 |
| Retained earnings - (deficit) | <u>(78,053)</u> |
| Total | <u>53,647</u> |
| Total Liabilities and Stockholders' Equity | \$ 61,636 ===== |

See accompanying notes and accountants' audit report.



THE WINDMILL GROUP, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2001

| | |
|---|-----------------------------|
| Revenues | |
| Commissions | \$ 278,798 |
| Miscellaneous | <u>10,066</u> |
| Total | 288,864 |
| Operating Expenses | <u>302,771</u> |
| Net (loss) | (13,907) |
| Retained Earnings - (deficit) - January 1, 2001 | <u>(64,146)</u> |
| Retained Earnings - (deficit) - December 31, 2001 | <u>\$(78,053)</u> ===== |

See accompanying notes and accountants' audit report.



THE WINDMILL GROUP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001

Cash flows from operating activities

Net (loss) **\$(13,907)**

**Adjustments to reconcile net income to net
cash provided by operating activities**

Depreciation and amortization **0**

Changes in assets and liabilities

Decrease in accounts receivable **5,719**
(Decrease) in commission and accrued expenses payable **(1,203)**
Increase in deposits payable **2,351**

Total adjustments **6,867**

Net cash from operations **(7,040)**

Net (decrease) in cash and cash equivalents **(7,040)**

Cash and cash equivalents - January 1, 2001 **66,485**

Cash and cash equivalents - December 31, 2001 **\$ 59,445**
=====

See accompanying notes and accountants' audit report.



THE WINDMILL GROUP, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable

The present balance is all current and includes \$2,191 due from the clearing broker, Cantella, Inc. This amount was received in full in January 2002.

Income Taxes

In 1987, the former shareholder elected to treat the company as a small business corporation ("S" corporation) for income tax purposes. As such, the company's income or loss and credits will be passed through to the shareholders and combined with their other personal income and deductions to determine taxable income on their individual returns.

Capital Stock

The present shareholders each own 50% of the company at December 31, 2001.



February 7, 2002

**The Windmill Group, Inc.
253 Route 202
Somers, New York 10589**

As an addendum to your annual report of December 31, 2001, We herewith submit the following exhibits:

- | | |
|--------------|--|
| "A-1" | Schedule of Operating Expenses |
| "A" | Statement of Changes in Stockholders' Equity for the Year Ended December 31, 2001 |
| "B" | Computation of Net Capital Requirements |
| "C" | Computation of Net Capital |

In our opinion the aforementioned exhibits present fairly the information under Security Exchange Commission Rule 17A-5(e) (4) in conformity with generally accepted accounting principles.

Robert J. Gardener

Robert J. Gardener



THE WINDMILL GROUP, INC.
OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2001

Operating Expenses

| | |
|------------------------------------|-------------------------|
| Salaries | \$ 2,000 |
| Rent | 18,218 |
| Equipment rentals | 2,765 |
| Office expense & supplies | 963 |
| Postage & delivery | 1,475 |
| Telephone | 7,292 |
| Automobile expense & travel | 2,585 |
| Dues, subscriptions, and licenses | 14,635 |
| Advertising & promotion | 1,183 |
| Commissions | 238,436 |
| Utilities | 1,099 |
| Taxes | 911 |
| Contributions | 849 |
| Professional fees | 4,275 |
| Temporary help & research services | 823 |
| Miscellaneous | 3,155 |
| Repairs | 400 |
| Insurance | <u>1,707</u> |
| Total | \$ 302,771 ===== |



THE WINDMILL GROUP, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
DECEMBER 31, 2001

| | |
|-----------------------------|--------------------|
| Balance - January 1, 2001 | \$ 67,554 |
| Net Income (loss) | <u>(13,907)</u> |
| Balance - December 31, 2001 | \$ 53,647 ===== |



THE WINDMILL GROUP, INC.
COMPUTATION OF NET CAPITAL REQUIREMENT
DECEMBER 31, 2001

| | |
|--|--------------------|
| Minimum Net Capital Required 6 2/3% of aggregate indebtedness | \$ 533 ===== |
| Minimum Required | \$ 5,000 ===== |
| Net Capital Required (Greater of above amounts) | \$ 5,000 ===== |
| Excess Net Capital (Net Capital \$53,647 per Exhibit C less net capital requirement \$5,000) | \$ 48,647 ===== |
| Excess Net Capital at 1,000% (Net Capital less 10% of total liabilities net secured or subordinated) | \$ 48,647 ===== |



Exhibit C

THE WINDMILL GROUP, INC.
COMPUTATION OF NET CAPITAL
DECEMBER 31, 2001

| | |
|---|---------------------------|
| Total stockholders' equity from the balance sheet equity | \$ 53,647 |
| Liabilities subordinated to claims of general creditors | <u>0</u> |
| Total capital & allowable subordinated liabilities | <u>\$ 53,647</u> |
| Less: non allowable assets from the balance sheet: | |
| Other assets | <u>0</u> |
| Total | <u>53,647</u> |
| Less: 2% haircut on securities | <u>0</u> |
| Net Capital | <u>\$ 53,647</u> ===== |

